

MEMORANDUM

To: Board of Regents

From: Board Office

Subject: Purchase and Lease of Property Located at 322 North Clinton Street, Iowa City, Iowa

Date: June 5, 2000

Recommended Actions:

1. Approve the purchase of property located at 322 North Clinton Street, Iowa City, Iowa, from Omicron Holding Corporation, at the purchase price of \$570,000, subject to approval of the Executive Council of Iowa.
(ROLL CALL VOTE)
2. Approve the lease agreement with Sigma Alpha Mu Housing Corporation for its use of the property located at 322 North Clinton Street, effective August 1, 2000, subject to University purchase of the property.
(ROLL CALL VOTE)

Executive Summary:

The University requests approval of the purchase and lease of property located at 322 North Clinton Street in Iowa City. The property consists of the Delta Tau Delta House which is located to the east of Burge residence hall. (A map showing the location of the house is included as an attachment on page 3.) The house formerly served as a fraternity house and currently serves as a rooming house for single male students. The purchase price of \$570,000 is consistent with Board policies for the purchase of property.

Following the purchase of the property, the University proposes to lease the house in the near-term to Sigma Alpha Mu Housing Corporation for its use as a fraternity house. The lease agreement provides for a five-year term; however, the agreement also includes a provision which would allow the University to begin utilizing the house prior to the end of the lease term. The University's long-term plans include operation of the house as a residence facility to provide living-learning opportunities for students with common academic interests.

The purchase and lease agreements have been reviewed by the Attorney General's Office and are recommended for approval.

Background and Analysis:

The property located at 322 North Clinton Street consists of a three-story brick building on a lot measuring 70 feet by 105 feet. The house, which is approximately 10,300 square feet, includes 7,800 square feet on three levels, and a basement level with 2,500 square feet of finished space. The University reports that the property received substantial upgrades and improvements in 1994 and is in a relatively good state of repair.

The proposed purchase price of \$570,000 is based on two appraisals which estimated the value of the property at \$600,000 and between \$585,000 and \$625,000. The purchase price is consistent with Procedural Guide §7.10 which requires that property be purchased at not more than 5 percent over the average of two appraisals. The University proposes to utilize Income from Treasurer's Temporary Investments to fund the property purchase. The anticipated possession date for the property is June 30, 2000.

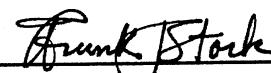
Following acquisition of the property, the University proposes to lease the house to Sigma Alpha Mu Housing Corporation for its use as a fraternity house. Sigma Alpha Mu is an existing University fraternity currently housed on North Dubuque Street. The lease agreement will allow the fraternity to relocate closer to the main campus.

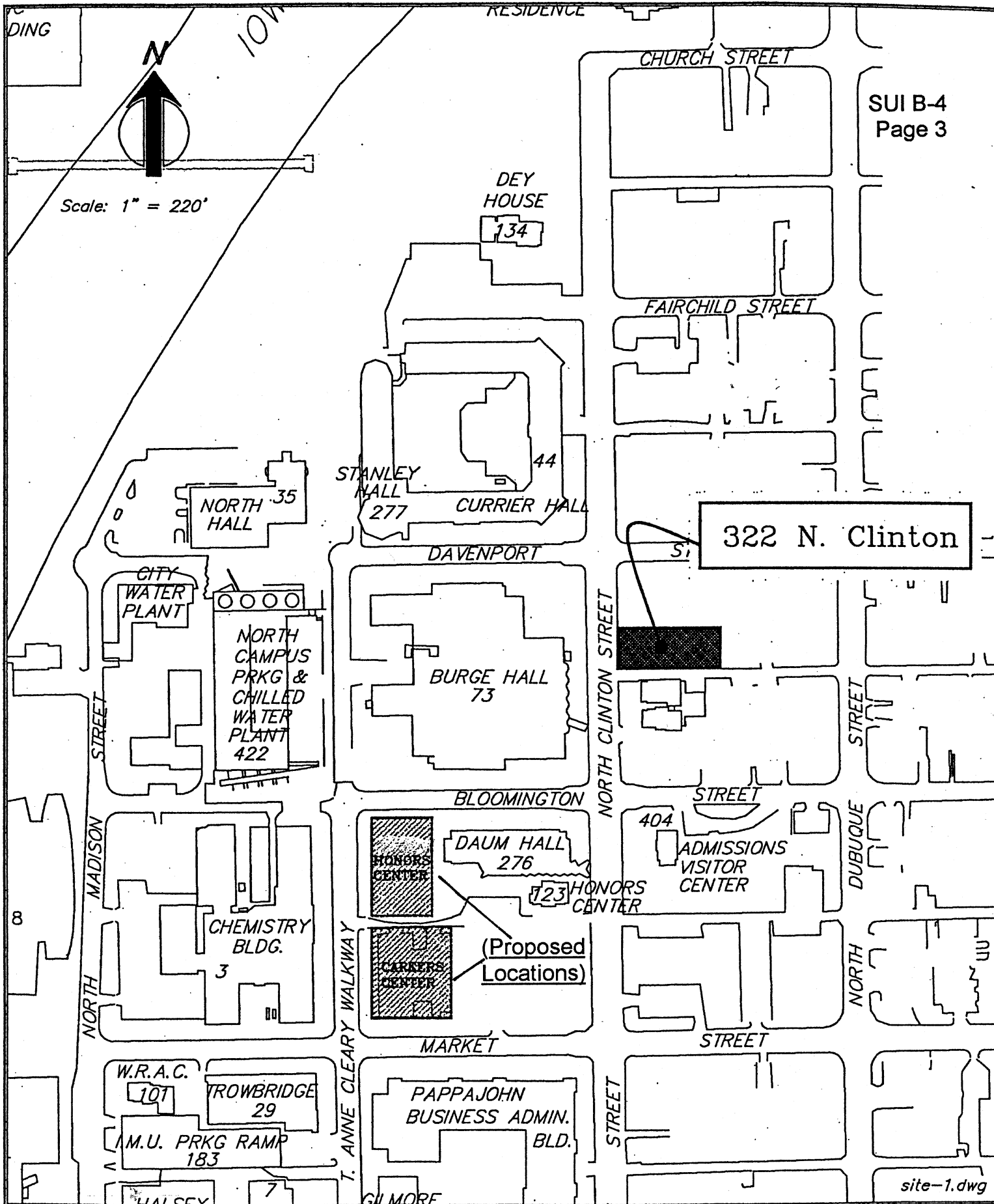
The house will be leased for a five-year term commencing August 1, 2000, through July 31, 2005, at an initial rate equal to \$6,250 per month (\$75,000 per year) for the first year of the lease. Rent for the subsequent years will increase approximately 3 percent per year; this will result in payments totaling \$77,244 per year in the second year, \$79,572 per year in the third year, \$81,960 per year in the fourth year, and \$84,408 per year in the fifth year. The lease agreement allows the University to take possession of the property prior to the end of the lease term with 365 days notice to the tenant. The principal with Sigma Alpha Mu Housing Corporation, Andrew Ahitow, is not affiliated with the University.

Specific plans for use of the house as a living-learning environment following the end of the lease term will be further developed by the University.


Sheila Lodge

Approved: _____


Frank J. Stork



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THE UNIVERSITY OF IOWA

322 NORTH CLINTON